



HONG KONG MONETARY AUTHORITY

香港金融管理局

Our Ref.: B1/15C
B9/143C

13 April 2016

The Chief Executive
All locally incorporated authorized institutions

Dear Sir / Madam,

Frequently asked questions on the Basel III leverage ratio framework

The Basel Committee on Banking Supervision (BCBS) has recently published an updated version of the document *Frequently asked questions on the Basel III leverage ratio framework* incorporating responses to a third set of frequently asked questions (FAQs)¹.

As you may recall, the FAQs are being issued to promote consistent global implementation of the Basel III leverage ratio framework. The first and second sets of FAQs were published in October 2014 and July 2015 respectively to provide technical elaboration and interpretative guidance on various aspects of the leverage ratio framework.

The third set of FAQs are grouped together with the first and second sets according to the following themes:

- (i) on-balance sheet exposures;
- (ii) derivative exposures;
- (iii) specific treatment for written credit derivatives;
- (iv) securities financing transaction (SFT) exposures;
- (v) cross-product netting agreements for derivative exposures and SFTs;
- (vi) treatment of long settlement transactions and failed trades;

¹ Please see (<http://www.bis.org/bcbs/publ/d364.pdf>)

- (vii) off-balance sheet items; and
- (viii) scope of consolidation and disclosure.

Institutions are expected to take into account the guidance set out in the FAQs in calculating their leverage ratio for the purposes of completing the HKMA's Quarterly Template on Leverage Ratio.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c. The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Mr Jackie Liu)